

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 ISO-00 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15

STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01

DOE-15 /123 W

-----084447 120702Z /17

R 111729Z APR 78

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 4999

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

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USEEC ALSO FOR EMBASSY

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E.O.11652: N/A

TAGS: EIND, ETRD, UK

SUBJECT: STEEL: RECENT DEVELOPMENTS IN THE UK

REF: LONDON 4743

1. THERE ARE PRESS REPORTS THAT PRIVATE EUROPEAN STEEL-
MAKING INTERESTS ARE CONSIDERING MAKING AN OFFER TO BUY
ONE OR MORE BSC PLANTS TO BE CLOSED IN THE NEAR FUTURE,
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IF UK GOVERNMENT PERMISSION CAN BE OBTAINED. INDUSTRY
SECRETARY VARLEY SAID IN THE HOUSE OF COMMONS ON APRIL 10
THAT HE WAS NOT AWARE OF ANY PROPOSALS TO SELL BSC PLANTS
AND NO SALES WOULD BE ALLOWED WITHOUT GOVERNMENT APPROVAL
VARLEY DID NOT SAY WHAT THE GOVERNMENT'S POLICY WOULD BE
IF AN OFFER TO BUY IS RECEIVED. PREDICTABLY, HOWEVER,
BSC CHAIRMAN SIR CHARLES VILLIERS WAS REPORTED TO HAVE

SAID HE WAS READY TO DISCUSS SUCH SALES.

2. MOST SPECIFICALLY, A "WEST GERMAN STEEL COMPANY" WAS REPORTED TO BE INTERESTED IN PURCHASING THE OPEN HEARTH PLANT AT GLENARNOCK IN SCOTLAND WHICH IS SCHEDULED TO BE CLOSED UNDER PROVISIONS OF THE GOVERNMENT'S WHITE PAPER REPORTED REFTEL. THE APPARENT FINANCIAL RATIONALE IS THAT THIS AND POSSIBLY OTHER PLANTS COULD PRODUCE STEEL COMPETITIVELY IF PURCHASED AT A LOW ENOUGH PRICE, SUCH AS BSC'S CURRENT BOOK VALUE.

3. INDUSTRY AND TRADE DEPARTMENT OFFICIALS INDICATE THERE IS APPARENTLY NO GOVERNMENT DECISION YET ON WHAT THE POLICY WILL BE ON SELLING BSC PLANTS TO OTHER STEEL-MAKING INTERESTS. WHILE SUCH A MOVE WOULD OBVIOUSLY WORK AGAINST DAVIGNON'S INTENT OF REDUCING INEFFICIENT CAPACITY, THE OPTION OF MAINTAINING EMPLOYMENT IN DEPRESSED AND POLITICALLY SENSITIVE AREAS WOULD BE A TEMPTING ONE FOR A GOVERNMENT LOOKING TOWARD THE NEXT ELECTION.

4. ON THE FINANCIAL SIDE, MINISTER OF STATE FOR INDUSTRY KAUFMAN YESTERDAY ESTIMATED THAT BSC'S TOTAL LOSSES FOR UK FY '77-'78 WOULD BE 440 MILLION POUNDS. THIS WOULD BE 80 MILLION POUNDS LESS THAN GOVERNMENT ESTIMATES OF THREE MONTHS AGO, BUT KAUFMAN SAID A FINAL FIGURE MIGHT NOT BE LIMITED OFFICIAL USE

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AVAILABLE FOR SOME TIME.

5. LEGISLATION TO IMPLEMENT PORTIONS OF THE GOVERNMENT'S WHITE PAPER HAS NOT YET BEEN INTRODUCED, BUT THE GOVERNMENT APPARENTLY PLANS TO SEEK AUTHORITY WITHIN THE NEXT FEW WEEKS TO RAISE THE CORPORATION'S BORROWING CEILING FROM FOUR TO FIVE BILLION POUNDS. PLANS FOR BSC'S FINANCIAL RESTRUCTURING ARE NOT EXPECTED TO BE PUT FORWARD UNTIL LATER THIS YEAR.

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BREWSTER

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Message Attributes

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